

Technical Guidance Note 2023/4(LG)

2022/23 Independent Auditor's Report for Local
Government Bodies



 AUDIT SCOTLAND

Prepared for appointed auditors in the local government sector

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Introduction

Purpose and use of Technical Guidance Note

1. The purpose of this Technical Guidance Note (TGN) from Audit Scotland's Professional Support is to provide external auditors appointed by the Accounts Commission with model forms of Independent Auditor's Reports (model IARs) for the 2022/23 annual accounts of local government bodies, i.e.:

- councils constituted under section 2 of the Local Government etc (Scotland) Act 1994
- boards and committees that fall under section 106 of the Local Government (Scotland) Act 1973 (the 1973 Act)
- registered charities that fall under section 106(1b) of the 1973 Act.

2. [Section 101\(4\)](#) of the 1973 Act requires auditors to place a certificate on a local government body's annual accounts and for that certificate to be in the form prescribed by the Accounts Commission. Appointed auditors are required by the Code of Audit Practice to prepare their IARs (i.e. the certificate) in compliance with this TGN.

3. The model IARs set out at Appendices 1 to 5 of this TGN comply with [ISA \(UK\) 700 Forming an Opinion and Reporting on Financial Statements](#) which sets out the minimum elements that the IAR is required to include. The model IARs are consistent with illustrative examples issued by the Financial Reporting Council but tailored to reflect local government legislation and augmented by the reporting requirements of the Accounts Commission.

4. This TGN also provides application guidance on the tailoring that requires to, or may, be made to the standard wording in the model IARs; these are in the form of Auditor Actions. Auditors should complete for each IAR the checklist at Appendix 7 which provides a list of those actions. It is important that auditors consult with Professional Support on any proposed tailoring to the standard wording other than those explicitly set out in the application guidance.

Changes in 2022/23

5. The standard wording in the model IARs for 2022/23 has been amended as follows:

- The description of the financial reporting framework has been removed from the 'true and fair' element of the opinion on the financial statements.
- The period of appointment disclosure has been simplified.
- The explanation of the extent to which the audit is capable of detecting irregularities has been enhanced with a view to reducing any perceived need for extensive local tailoring.

6. In addition, the requirement to report a failure to meet a prescribed financial objective has been removed.

7. There are also enhancements to the application guidance including the following:

- The guidance on the period of appointment disclosure has been revised to reflect the amendment in standard wording.
- Auditors should consult with Professional Support on any tailoring of the standard wording of the explanation of the extent to which the audit is capable of detecting irregularities.
- A new Auditor Action has been added in respect of identifying the audited parts of the Remuneration Report.

Consulting with Professional support

8. Auditors should consult with Professional Support on any proposed tailoring to the standard wording in the model IARs or any proposed modification of an opinion or conclusion by sending an email to TechnicalQueries@audit-scotland.gov.uk.

1.Overview

Parts of model IARs

9. The parts that comprise the model IARs for 2022/23, and where guidance is provided on each part, are summarised in the following table:

Part of model IAR	Guidance
Title	ISA (UK) 700 requires the auditor's report to have a title that clearly indicates that it is the report of an independent auditor. This TGN requires the title 'Independent Auditor's Report' to be used as this complies with that requirement and also clearly distinguishes it from other required reports, such as the Annual Audit Report.
Addressees	ISA (UK) 700 also requires the IAR to be addressed based on the circumstances of the audit appointment. The model IARs are therefore addressed to elected members (or trustees for a charity) and the Accounts Commission.
Reporting on the audit of the financial statements	<p>This part of the model IARs sets out:</p> <ul style="list-style-type: none"> • the titles of the financial statements that have been audited • a description of the applicable financial reporting framework • the auditor's opinion on the financial statements • a description of the basis for the above opinion • information on the period of audit appointment and any non-audit services • conclusions relating to the going concern basis of accounting • a statement that the most significant risks of material misstatement are reported in the Annual Audit Report • responsibilities of the Section 95 proper officer and auditors for the financial statements • an explanation of the extent to which the audit is considered capable of detecting irregularities including fraud. <p>Guidance is provided in section 2 of this TGN.</p>
Reporting on other requirements - Remuneration Report	<p>This part sets out the opinion on the audited parts of the Remuneration Report.</p> <p>Guidance is provided in section 3 of this TGN.</p>

Part of model IAR	Guidance
Reporting on other requirements – other information	This part sets out reporting on other information including the opinions on the Management Commentary (or Trustees' Annual Report) and Annual Governance Statement. Guidance is provided in section 4 of this TGN.
Reporting on other requirements - matters reported by exception	This part sets out the conclusions on matters reported by exception, such as the adequacy of accounting records. Guidance is provided in section 5 of this TGN.
Reporting on other requirements - wider scope responsibilities	This part highlights that auditors report conclusions on their wider scope responsibilities in the Annual Audit Report. For the avoidance of doubt, this paragraph applies to all bodies except for charities.
Use of report	The model reports contain a paragraph to recognise the case of Royal Bank of Scotland v Bannerman Johnstone Maclay, which highlighted potential exposure where auditors have not expressly disclaimed responsibility to third parties.

Model IAR options

Auditor action 1

Auditors should use the correct model IAR that applies to the circumstances of the audited body.

10. The model IARs set out in the appendices, and the annual accounts to which they apply, are summarised in the following table:

Appendix	Applicable accounts
1	The annual accounts of councils (except those meeting the definition of public interest entity) where group financial statements are prepared
2	The annual accounts of any councils that meet the definition of a public interest entity
3	The annual accounts of (i) councils where group financial statements are not prepared and (ii) bodies to which section 106 of the 1973 Act applies (e.g. valuation joint boards, joint committees, regional transport partnerships and integration joint boards)
4	The annual accounts of local government pension scheme pension funds administered by councils

Appendix Applicable accounts

5A	The statement of accounts of registered charities that fall under section 106(1b) of the 1973 Act prepared on an accrual basis
5B	The statement of accounts of registered charities that fall under section 106(1b) of the 1973 Act prepared on a receipts and payments basis

Tailoring to local circumstances

Auditor action 2

Auditors should follow the standard wording in the relevant model IAR other than where tailoring is required to reflect local circumstances (e.g. adding the name of the audited body, reflecting whether the auditor is a firm or an individual, adding the job title of the section 95 proper officer, or other tailoring agreed with Professional Support).

11. Auditors may tailor the standard wording in the model IARs (as indicated by the square brackets) to the extent set out in the following table:

Reason for change	Change to model IAR wording
Name of audited body	Auditors should insert the name of the audited body, pension fund or charity. This should be consistent with what it calls itself in the annual accounts (see the following table for cases where more than one fund or charity is covered).
To reflect whether appointed auditor is an individual or firm	Where the appointed auditor is a member of Audit Scotland staff, the reports should be presented in the first person singular (e.g. 'I am'). Firms should present the report in the first person plural (e.g. 'We are').
Job title of proper officer	Auditors should insert the job title of the section 95 proper officer as used in the Statement of Responsibilities (e.g. Director of Finance).
Other local tailoring	If auditors consider that any other tailoring is appropriate to reflect local circumstances, they should consult with Professional Support.

12. The following table explains the tailoring required when an IAR covers more than one pension fund or charity, or the pension fund has a group:

Position	Change to model wording
More than one pension fund	List the name of each pension fund in the first two references. Replace subsequent references to 'fund' in the standard wording with 'funds'.
Pension fund has a group	Add references to the group using Appendix 1 as a guide.
More than one charity - connected charities provision used	Insert the collective name for all the charities covered in the first two references. Replace subsequent references to 'charity' in the standard wording with 'charities'.
More than one charity - connected charities provisions not used	Either: <ul style="list-style-type: none"> List the name of each charity in the document in the first two references; and Replace subsequent references to 'charity' in the standard wording with 'charities': or Prepare a separate report for each charity in the same document.

Signature and date

13. ISA (UK) 700 requires IARs to be signed and dated, and name the location of where the auditor practices:

Auditor action 3

The appointment lead should:

- sign the IAR on or after the authorised for issue date (or as close as possible thereafter) and date accordingly
- sign the IAR for and on behalf of the firm (firms only)
- give the full date and postal address.

Signing

14. The IAR is required to include the signature of the appointment lead. Auditors are encouraged to use a qualified electronic signature as explained in the [Guidance on Planning 2022/23 Annual Audits](#). Appointment leads should sign the IAR as set out in the following table:

Appointed auditor	Guidance on signing
Audit Scotland staff	The appointment lead (i.e. the individual appointed as auditor) should sign the IAR in their own personal name.
Firm	<p>The appointment lead (i.e. the partner or other individual who is responsible for issuing the report) should sign the IAR 'for and on behalf of the firm' in their own personal name.</p> <p>The individual should not sign themselves as 'senior statutory auditor' as that is a Companies Act requirement that has not been applied to local government audits.</p>

Dating

15. The date given in the IAR should be the date on which the appointment lead actually signs the report. The appointment lead should aim to sign the report on the date the annual accounts are signed by the Section 95 proper officer/trustees (i.e. the authorised for issue date). Auditors should ensure they give the correct day, month and year of their signature, e.g. 30 September 2023.

16. There may be circumstances where the appointment lead cannot sign the IAR on the authorised for issue date. Where that is the case, auditors should note the following:

- The appointment lead should not sign the IAR earlier than the authorised for issue date.
- Where the appointment lead signs the IAR on a date later than the authorised for issue date, auditors should:
 - obtain assurance that those charged with governance would have approved the financial statements on that later date (e.g. by obtaining confirmation from the Section 95 proper officer)
 - ensure that audit procedures for reviewing subsequent events cover the period up to that date.

Address

17. Auditors should state in the IAR the full postal address of their office.

Positioning of the IAR

Auditor action 4

Auditors should satisfy themselves that the IAR is appropriately positioned in the annual accounts.

18. Although there is no specific requirement regarding the positioning of the IAR, Professional Support considers it to be good practice for it to appear either immediately before or after the financial statements.

19. Auditors are encouraged to discuss this matter with the proper officer/trustees and satisfy themselves that their report is positioned within the document so that it is given appropriate, but not undue, prominence.

2.Reporting on audit of the financial statements

Opinion on financial statements

Auditors' responsibilities

20. The 'Reporting on the audit of the financial statements' part of the model IAR is where auditors list the titles of the financial statements they have audited and express an opinion on whether those financial statements:

- give a true and fair view of the state of affairs of the body (and its group) as at 31 March 2023 and of the income and expenditure for the year then ended
- have been properly prepared in accordance with the financial reporting framework.

21. The standard wording of the first bullet in the model IARs in respect of the true and fair view has been simplified in 2022/23 by removing the description of the applicable financial reporting framework.

Titles of financial statements

Auditor action 5

Auditors should:

- **encourage bodies to use the titles of the financial statements specified by proper accounting practices**
- **list the financial statements using the precise titles used by the audited body.**

22. Auditors are required by ISA (UK) 700 to identify the title of each statement that comprises the financial statements. Regulation 8(2) of The Local Authority Accounts (Scotland) Regulations 2014 (the accounts regulations) requires the annual accounts of local government bodies to include the financial statements required by the Code of Practice on Local Authority Accounting in the UK (the accounting code). Charities legislation sets out the required financial statements for charities.

23. The financial statements illustrated in the model IARs are based on the requirements of, and titles used by, the 2022/23 accounting code (and charities legislation for Appendix 5).

24. Auditors should encourage bodies to use those titles. In the event that a body uses different titles or includes other statements, auditors should tailor the titles of the statements illustrated in the model IARs so they precisely match the statements and titles actually used by the body/charity. For example:

- Some bodies present information on their trust funds and Common Good and their Expenditure and Funding Analysis as separate financial statements. Where this is the case, auditors should include them in the list of statements they have audited.
- Where a body includes the Expenditure and Funding Analysis or information on trust funds or Common Good as a note, auditors should not specifically refer to them in their report as they are covered by the general reference to 'notes'.

25. In previous years, Professional Support has identified a number of instances where the titles used by auditors did not precisely match those used by the body. This may make it difficult for a user to clearly understand the statements that have been audited.

Modified opinion on financial statements

Auditor action 6

When auditors are considering modifying their opinion on the financial statements, they should consult with Professional Support on the proposed modified opinion.

If auditors conclude that a modified opinion is appropriate, they should:

- **modify the standard wording in the opinion and basis for opinion paragraphs**
- **include a description of the matter giving rise to the modification.**

26. Auditors should evaluate whether there are any material misstatements in the financial statements in accordance with the guidance provided in [TGN 2022/8\(LG\)](#).

27. If auditors conclude that there is (or could be) an uncorrected material misstatement in the financial statements, they should express a modified opinion in accordance with [ISA \(UK\) 705 Modifications to the Opinion in the Independent Auditor's Report](#). ISA (UK) 705 establishes three types of modified opinions, i.e. a qualified, an adverse, and a disclaimer of opinion.

28. There are two forms of qualified opinion. The following table summarises the circumstances in which each form would be appropriate:

Form of qualified opinion	Appropriate circumstances
Material misstatement	Auditors conclude that misstatements are material (but not pervasive) to the financial statements
Inability to obtain evidence (i.e. limitation on the scope of the audit)	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but conclude that the possible effects on the financial statements of undetected misstatements could be material but not pervasive

29. The modifications required to the standard wording in the model IARs where auditors express a qualified opinion are set out at Appendix 6 section 1 (material misstatement) and section 2 (limitation of audit scope).

30. The other types of modified opinion are not expected in practice but are briefly summarised in the following table for completeness:

Type	Appropriate when
Adverse opinion	Auditors conclude that material misstatements have a pervasive effect on the financial statements
Disclaimer of opinion	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and they conclude that the possible effects on the financial statements of undetected misstatements could be both material and pervasive

31. Pervasive effects are those that:

- are not confined to specific items
- represent a substantial proportion of the financial statements; or
- are fundamental to users' understanding.

32. Auditors should consult with Professional Support on the subject matter of the qualified opinion, and share the proposed modifications to the model IAR.

Information on appointments and non-audit services

Auditor action 7

Auditors should in the basis for opinion paragraph:

- **insert the date of their appointment letter**
- **report any non-audit services not disclosed elsewhere**

33. Where indicated in the basis for opinion paragraph, auditors should:

- add the date of their appointment letter
- report any non-audit services which were provided to the body that have not been disclosed elsewhere in the annual accounts.

34. The above is based on the requirements in ISA (UK) 700 for public interest entities (PIE). For the avoidance of doubt, although councils do not generally meet the legislative definition for a PIE, the Accounts Commission has applied these requirements to the audit of all local government bodies (excluding charities).

35. The standard wording in the model IARs used in previous years entailed the number of years being increased incrementally each year. The standard wording has been amended for 2022/23 to be more concise and to remove the need to annually update the number of years. In the small number of cases where audit appointments in 2021/22 did not change in the current audit appointments, auditors should amend the model IAR as set out at section 3 of Appendix 6.

Conclusions relating to going concern basis of accounting

Auditors' responsibilities

36. ISA (UK) 700 requires auditors to report in accordance with [ISA \(UK\) 570](#) in respect of going concern. This requires auditors to conclude:

- on the appropriateness of the use by the body/charity of the going concern basis of accounting
- whether a material uncertainty exists about the ability of the body/charity to continue to adopt the going concern basis of accounting.

Matter to be reported

Auditor action 8

When auditors are considering whether there may be a matter to report in respect of the use of the going concern basis of accounting, auditors should consult with Professional Support.

37. Guidance on using the going concern basis of accounting is provided at section 2 of the Overview Module of [TGN 2022/8\(LG\)](#). While a local government body may face financial sustainability issues, it is highly unlikely that there will be a material uncertainty regarding the use of the going concern basis of accounting for a continuing body or that it would not be considered appropriate.

38. A matter may require to be reported if a body's functions are being discontinued and the body is not being wound up in an orderly manner. In the rare event of a going concern matter requiring to be reported, after consultation with Professional Support, the auditor's reporting options are summarised in the following table:

Matter to be reported	Reporting
Going concern basis of accounting inappropriate	Adverse opinion on financial statements
Material uncertainty exists and adequately disclosed	No modification to opinion Change the heading to 'Material uncertainty related to going concern' and draw attention to the disclosure

Matter to be reported	Reporting
Material uncertainty exists but not adequately disclosed	Qualified or possibly adverse opinion on financial statements

Explanation of extent audit is capable of detecting irregularities

Auditor action 9

Where auditors are considering whether tailoring is required to the standard wording for the explanation of extent that the audit is capable of detecting irregularities, auditors should consult with Professional Support.

39. In accordance with paragraph 29-1 of ISA (UK) 700, the model IARs explain the extent to which the audit is considered capable of detecting irregularities, including fraud (i.e. the second, third and fourth paragraphs in the 'Auditor's responsibilities for the audit of the financial statements' section). Paragraph A39-2 of ISA (UK) 700 states that it may be useful if the required explanation related to the specific circumstances of the body, rather than being expressed in standardised language. While acknowledging that guidance, Professional Support's view is that it predominantly has the private sector context in mind, and that standard wording is generally appropriate for local government bodies due to their common statutory framework.

40. However, Professional Support revised the TGN application guidance in 2021/22 to permit auditors to tailor the standard wording, where they considered it necessary to be more specific about the circumstances of a particular audited body.

41. Professional Support carried out a review of the 2021/22 IARs of health boards to check compliance with the TGN. The review found that most audit providers used the standard wording unchanged. However, two audit providers at six boards made changes which, in Professional Support's view:

- were extensive and went beyond the focused tailoring permitted by the TGN
- resulted in elements of duplication (e.g. in some cases paragraphs were added which already existed in the standard wording)
- increased the length of the IAR by around a page (a 20% increase)
- for one audit provider, resulted in the same generic wording being added to all four of their boards (rather than being specific about a particular body)
- for one audit provider had not been the subject of consultation with Professional Support in advance.

42. In response to the review findings, Professional Support considered the guidance in ISAs (UK) 240 and 250A and the local changes made by the audit providers in 2021/22, and revisited the standard wording with a view to addressing any perceived need to make extensive local changes. In summary, the amendments to the standard wording in the model IARs for 2022/23 are as follows:

- A reference to the relevant sector and significant legislation has been added.
- References have been added to inquiring of the Section 95 proper officer and other relevant officers:
 - as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body
 - concerning the body’s policies and procedures regarding compliance with the applicable legal and regulatory framework.
- A reference has been added to discussions among the audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur.

43. Where an auditor nevertheless considers that tailoring of the standard wording is required, they should consult with Professional Support. Auditors should demonstrate that any proposed tailoring is necessary in order to be more specific about the circumstances of a particular audited body.

3.Opinion on audited parts of Remuneration Report

Auditors' responsibilities

44. Auditors are required by the Accounts Commission to express an opinion on whether the audited parts of the Remuneration Report have been properly prepared.

Title of report

Auditor action 10

Auditors should:

- **encourage bodies to use the title Remuneration Report**
 - **use the precise title of the report used by the audited body.**
-

45. The title of the report (i.e. Remuneration Report) used in the model IARs reflects the title used by the accounts regulations.

46. Auditors should encourage bodies to use that title but in the event that a body uses a different title, auditors should tailor the title in the model IAR to be consistent.

Identifying audited parts of Remuneration Report

Auditor action 11

Auditors should:

- **evaluate whether the body has correctly and clearly identified the parts of the Remuneration Report that are audited**
 - **request that the body makes any rectifications that are identified**
 - **where necessary, identify in the IAR the parts of the Remuneration Report that are audited.**
-

47. In accordance with paragraph 5 of Finance Circular 8/2011 local government bodies are required to correctly and clearly identify the parts of the Remuneration Report that are audited.

48. As part of the review of 2020/21 IARs of councils, Professional Support examined the disclosures to evaluate whether councils had correctly and clearly identified the parts that had been audited. The review found that 16 councils had not been clear that disclosures had been audited. One council did not make any distinction between the parts of the Remuneration Report that were subject to audit and those that were not.

49. Professional Support has enhanced the guidance in Module 10 of [TGN 2022/8](#) on the parts of the Remuneration Report that are audited. Auditors are advised to evaluate whether bodies have correctly and clearly identified the parts that are subject to audit, and request any rectifications that are required. This is consistent with paragraph A60-7 of ISA (UK) 700 which requires auditors to ensure that the audited parts are clearly distinguished from the unaudited parts.

50. Where the necessary rectifications are not made, and therefore the body's disclosures do not clearly distinguish the audited parts from the unaudited parts, auditors should (as required by paragraph A60-9 of ISA (UK) 700) identify the parts that have been audited in the IAR.

Qualified opinion on Remuneration Report

Auditor action 12

When auditors are considering qualifying their opinion on the Remuneration Report, they should consult with Professional Support on the proposed qualified opinion.

If auditors conclude that a qualified opinion is appropriate, auditors should:

- **modify the standard wording of the opinion paragraph**
- **add a basis for qualified opinion paragraph**
- **provide a description of the matter giving rise to the qualified opinion.**

51. Auditors should evaluate whether there are any material misstatements in the audited parts of the Remuneration Report in accordance with the guidance provided in Module 10 of [TGN 2022/8\(LG\)](#). If auditors conclude that there is an uncorrected material misstatement, they should express a qualified opinion. Auditors should modify the standard wording in the model IAR as set out in section 4 of Appendix 6.

52. Auditors should consult with Professional Support on the subject matter of the qualified opinion, including sharing the proposed modifications to the model IAR.

4.Reporting on other information

Auditors' responsibilities

53. ISA (UK) 700 requires auditors to report in accordance with [ISA \(UK\) 720](#) in respect of other information in the annual accounts. In a local government body, other information should comprise the items required by Regulation 8(2) of the accounts regulations which are not audited (i.e. the Management Commentary, Annual Governance Statement, Statement of Responsibilities and unaudited parts of the Remuneration Report). For a pension fund, it also includes a Governance Compliance Statement, For a charity, it should comprise the Trustees' Annual Report.

54. ISA (UK) 720 requires auditors to report:

- either a description of any material misstatements in the other information or a statement that there is nothing to report
- a conclusion where there is a specific requirement to report on any other information. In a local government body, this applies to the opinions prescribed by the Accounts Commission as to whether the Management Commentary and Annual Governance Statement/Governance Compliance Statement (or Trustees' Annual Report for a charity) are consistent with the financial statements and have been properly prepared.

Titles of reports

Auditor action 13

Auditors should:

- **encourage the body to use the titles specified by regulations**
- **use the precise titles of the reports used by the audited body**
- **encourage the body to locate any voluntary information within the specified structure.**

55. The titles of the reports used in the model IARs reflect the titles specified by regulations. Auditors should encourage bodies to use the specified titles but in the event that a body uses different titles, auditors should tailor the titles in the model IAR to be consistent.

56. If a local government body provides any voluntary information in the form of a report (e.g. a Foreword) outside the Management Commentary or Annual Governance Statement, auditors should encourage bodies to relocate it within one of those reports. As a minimum, the voluntary report should be incorporated by a clear cross-reference in the Management Commentary or Annual Governance Statement (e.g. A statement within the Management Commentary

that states “The Foreword on page x forms part of this Management Commentary”).

57. In the absence of a cross-reference, auditors should tailor the model IAR to include the voluntary reports. This can either be done by naming the report if that can be done concisely or, in more complex situations, adding the wording set out at section 5A of Appendix 6.

Material misstatement to report

Auditor action 14

When auditors are considering whether there is a material misstatement in the other information, they should consult with Professional Support.

If auditors conclude that there is an uncorrected material misstatement in the other information, they should describe the misstatement in the Independent Auditor’s Report.

58. Auditors should evaluate whether there are any material misstatements in the other information in accordance with the guidance provided in module 11 of [TGN 2022/8\(LG\)](#).

59. Where auditors conclude that there is an uncorrected material misstatement in the other information, they should amend the model IAR as set out at section 5B of Appendix 6

60. Auditors should consult with Professional Support on the subject matter of the misstatement, including sharing the proposed amendments to the model IAR.

Qualified opinion on Management Commentary or Annual Governance Statement/Governance Compliance Statement (or Trustees’ Annual Report)

Auditor action 15

When auditors are considering qualifying their opinion on the Management Commentary or Annual Governance Statement/Governance Compliance Statement (or Trustees’ Annual Report), they should consult with Professional Support on the proposed qualified opinion.

If auditors conclude that a qualified opinion is appropriate, auditors should:

- **modify the standard wording of the opinion paragraph**
- **add a basis for qualified opinion paragraph**
- **provide a description of the matter giving rise to the qualified opinion.**

61. Auditors should evaluate whether a qualified opinion in respect of the Management Commentary or Annual Governance Statement/Governance Compliance Statement (or Trustees’ Annual Report) is appropriate in accordance with the guidance provided in modules 11, 13 and 14 of [TGN 2022/8\(LG\)](#).

62. Where auditors conclude that a qualified opinion is appropriate, they should modify the standard wording in the model IAR as set out at Section 6 of Appendix 6. Auditors should consult with Professional Support on the subject matter of the qualified opinion, including sharing the proposed modifications to the model IAR.

63. Local government bodies are not required to report compliance with the UK Corporate Governance Code. Additional reporting requirements under ISAs (UK) 701 and 720 apply for bodies that report compliance with the UK Corporate Governance Code (set out in Appendix 2). Auditors should ensure that the additional reporting requirements are met if they are triggered by any audited body making a reference in the Annual Governance Statement to compliance with that code.

5.Matters reported by exception

Auditors' responsibilities

64. Where auditors are required to report on certain matters, but positive assurance is not required, ISA (UK) 700 treats them as matters reported by exception. The Accounts Commission requires auditors of local government bodies to report by exception (and charities regulations contain equivalent requirements) if:

- adequate accounting records have not been kept
- the financial statements or the audited parts of the Remuneration Report are not in agreement with the accounting records
- they have not received all the information and explanations required for the audit
- there has been a failure to achieve a prescribed financial objective.

65. Auditors report on these matters in the 'Matters reported on by exception' part of the IAR. The model IARs describe auditors' responsibilities for such matters, and incorporate a suitable conclusion (rather than opinion).

Accounting records

Auditor action 16

Auditors should evaluate and conclude on whether:

- **the body has kept adequate accounting records throughout the year**
- **the financial statements and the audited parts of the Remuneration Report are in agreement with the accounting records.**

66. The accounting records contain details of the transactions, assets and liabilities of the body/charity. They should be an orderly, classified collection of information capable of timely retrieval, so as to enable a trial balance to be constructed. They may comprise:

- the financial ledger
- supporting records, such as documentation for electronic fund transfers; invoices; contracts; journal entries and other adjustments to the financial statements
- other working papers such as spreadsheets supporting cost allocations, reconciliations and disclosures.

67. Auditors should consider accounting records to be adequate if they are sufficient to:

- show and explain the transactions of the body/charity
- disclose with reasonable accuracy, at any time during the year, the financial position of the body/charity
- enable the Section 95 proper officer (or trustees) to ensure that any accounts required to be prepared comply with statutory requirements.

68. There is a distinction between the accounting records and the accounting control system. If auditors find weaknesses relating to the accounting control system rather than the accounting records, they can still conclude that adequate accounting records have been kept. Bodies should report the weaknesses found in the accounting control system, where significant, in the Annual Governance Statement.

Required information and explanations

Auditor action 17

Auditors should evaluate and conclude on whether they have received all the information and explanations required for the audit.

Failure to achieve a prescribed financial objective

69. Under the previous Code of Audit Practice, auditors were required to report a local government body's failure to achieve a prescribed financial objective. The only prescribed financial objective relates to the requirement for a significant trading operation to break even over a three-year period. From 2022/23, auditors are no longer required to report any failure of a significant trading operation to break even.

70. This guidance supersedes paragraphs 157 and 158 of Module 9.10 in [TGN 2022/8\(LG\)](#) which indicate that the reporting requirement continues to apply.

Modified conclusion

Auditor action 18

When auditors are considering modifying their conclusion on a matter reported by exception, they should consult with Professional Support on the proposed modified conclusion.

Where a modified conclusion is appropriate, auditors should:

- **modify the standard wording in the model IAR**
- **provide a description of the matter giving rise to the modification.**

71. Where auditors express a modified opinion as a result of a limitation of the scope of the audit, they should also consider the impact on the matters reported by exception. For example, if auditors have been unable to obtain sufficient appropriate evidence in respect of a material matter in the financial statements, they may not be able to determine whether adequate accounting records have been maintained (or indeed may conclude that they have not been maintained) and may conclude that they have not received all the information and explanations required for the audit.

72. Where auditors conclude that a modified conclusion is appropriate, they should modify the standard wording in the model IAR as set out at Section 6 of Appendix 6.

73. Auditors should consult with Professional Support on the subject matter of the modified conclusion, including sharing the proposed modifications to the model IAR.

6.Emphasis of Matter/Other Matter paragraphs

Auditors' responsibilities

74. [ISA \(UK\) 706](#) deals with Emphasis of Matter and Other Matter paragraphs in the IAR. These paragraphs are added to the model IARs when auditors consider it necessary to draw users' attention to:

- matters that are fundamental to understanding the financial statements (Emphasis of Matter)
- relevant to understanding the audit (Other Matter).

Matter to be reported

Auditor action 19

When auditors are considering whether it is necessary to draw attention to certain matters under ISA (UK) 706, they should consult with Professional Support.

If auditors conclude that they should draw attention to such matters, they should include an Emphasis of Matter or Other Matter paragraph in accordance with ISA (UK) 706.

75. ISA (UK) 706 specifies criteria for when an Emphasis of Matter paragraph is appropriate, and is clear that widespread use would diminish their effectiveness. Auditors should consider carefully whether all the criteria are fully met and should not use an Emphasis of Matter paragraph unless that is the case. The criteria are summarised in the following table:

Criteria	Considerations
The matter must be appropriately presented or disclosed in the financial statements	<p>An Emphasis of Matter paragraph is not a substitute for disclosures in the financial statements that the body is required to make.</p> <p>Auditors should evaluate whether the explanation or description of the matter disclosed by the body is clear and accurate.</p>
The matter must be of such importance that it is fundamental to users' understanding of the financial statements	<p>Auditors should consider whether the matter is essential to understanding the financial statements. ISA (UK) 706 gives the following examples:</p> <ul style="list-style-type: none"> • An uncertainty relating to the future outcome of exceptional litigation or regulatory action. • A significant subsequent event that occurs between the date of the financial statements and the date of the IAR.

Criteria	Considerations
	<ul style="list-style-type: none"> • Early application of a new accounting standard that has a material effect on the financial statements. • A major catastrophe that has a significant effect on the body's financial position. <p>In recent years, auditors have included an Emphasis of Matter paragraph where a valuer has declared a Material Valuation Uncertainty.</p>
A modified opinion in respect of the matter is not required	An Emphasis of Matter paragraph is not a substitute for a modified opinion.

76. An Emphasis of Matter paragraph should be included in a separate section of the IAR. The placement depends on the nature of the information to be communicated, and the auditor's judgment as to its relative significance. The paragraph should have an appropriate heading that includes the term 'Emphasis of Matter'.

77. An Emphasis of Matter paragraph should simply draw attention to where the matter is described in the financial statements. Auditors should therefore not attempt to describe the matter. It is important to be clear that the auditor's opinion on the financial statements is not modified in respect of the matter emphasised. The paragraph should take the form set out at section 7 of Appendix 6.

78. An Other Matter paragraph is used to refer to a matter other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. The use of such a paragraph in the public sector is extremely rare.

79. Auditors should consult with Professional Support on the subject matter of the paragraph, including sharing the proposed addition to the model IAR.

Appendix 1 Councils (Group)

Model independent auditor's report

Independent auditor's report to the members of [insert name of council] and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

[[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council] and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Accounts Commission on [insert date

of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27. [I am/We are] independent of the council and its group in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, [I/we] report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

[I/We] report in [my/our] Annual Audit Report the most significant assessed risks of material misstatement that [I/we] identified and [my/our] judgements thereon.

Responsibilities of the [insert job title of proper officer] and [council or name of audit committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the [insert job title of proper officer] is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The [council/name of audit committee] is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our]

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using [my/our] understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the [insert job title of proper officer] [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the [insert job title of proper officer] [add any other officer] concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

[I/We] have audited the parts of the Remuneration Report described as audited [list the audited parts if not clearly identified in the accounts]. In [my/our] opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

[My/our] responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In [my/our] opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to [my/our] responsibilities for the annual accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in [my/our] Annual Audit Report.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),
 [Full postal address],
 [Full date]

Appendix 2 Councils (PIEs with group)

Model independent auditor's report

Independent auditor's report to the members of [insert name of council] and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

[[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council] and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Accounts Commission on [insert date

of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27. [I am/We are] independent of the council and its group in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the [insert job title of proper officer] assessment of the ability of the council and its group to continue to adopt the going concern basis of accounting included [Explanation of how the auditor evaluated the assessment in the context of the public sector and the key observations arising with respect to that evaluation].

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, [I/we] report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

My/Our approach to the audit

[Provide an overview of the scope of the audit]

Key audit matters	How [my/our] scope addressed this matter
<p>Key audit matters are those matters that, in [my/our] professional judgment, were of most significance in [my/our] audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) [I/we] identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the audit team. These matters were addressed in the context of [my/our] audit of the financial statements as a whole, and in forming [my/our] opinion thereon, and [I/we] do not provide a separate opinion on these matters.</p>	
<p>[Insert title for each key audit matter] [Provide a description of each key audit matter in accordance with ISA (UK) 701.]</p>	<p>[Explain how the scope addressed each key audit matter and was influenced by your application of materiality]</p>

[Explain the significant judgements made by the audit team with respect to each key audit matter.]	
[Describe the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]	

Our application of materiality

[Explain how you applied the concept of materiality in planning and performing the audit. This is required to include the threshold used as being materiality for the financial statements as a whole as well as the threshold used as being performance materiality but may include other relevant disclosures. Explain the significant judgments made in determining both of these thresholds].

Responsibilities of the [insert job title of proper officer] and [insert council or name of audit committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the [insert job title of proper officer] is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the council's operations.

The [insert council or name of audit committee] is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using [my/our] understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the [insert job title of proper officer] [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the [insert job title of proper officer] [add any other officer] concerning the policies and procedures of the council and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

[I/We] have audited the parts of the Remuneration Report described as audited [list the audited parts if not clearly identified in the accounts]. In [my/our] opinion, the audited parts of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

[My/our] responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In [my/our] opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to [my/our] responsibilities for the annual accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in [my/our] Annual Audit Report.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),
[Full postal address],
[Full date]

Appendix 3 Councils (no group) and section 106 bodies

Model independent auditor's report

Independent auditor's report to the members of [insert name of council/body] and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

[[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council/body] for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council/body such as the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the [council/body] as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our]

responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Accounts Commission on [insert date of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27 [I am/We are] independent of the [council/body] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the [council/body]. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [council's/body's] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the [council's/body's] current or future financial sustainability. However, [I/we] report on the [council's/body's] arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

[I/We] report in [my/our] Annual Audit Report the most significant assessed risks of material misstatement that [I/we] identified and [my/our] judgements thereon.

Responsibilities of the [insert job title of proper officer] and [council/board/name of audit committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the [insert job title of proper officer] is responsible for assessing the [council's/body's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the [council's/body's] operations.

The [council/board/name of audit committee] is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using [my/our] understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the [council/body];
- inquiring of the [insert job title of proper officer] [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the [council/body];
- inquiring of the [insert job title of proper officer] [add any other officer] concerning the [council's/body's] policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [council's/body's] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

[I/We] have audited the parts of the Remuneration Report described as audited [list the audited parts if not clearly identified in the accounts]. In [my/our] opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

[My/our] responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In [my/our] opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been

prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to [my/our] responsibilities for the annual accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in [my/our] Annual Audit Report.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),
[Full postal address],
[Full date]

Appendix 4 Local government pension scheme pension funds

Model independent auditor's report

Independent auditor's report to the members of [insert name of council] as administering authority for [insert name of pension fund/each pension fund] and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

[[I/We] certify that [I/we] have audited the financial statements in the annual report of [insert name of each pension fund] (the [fund/funds]) for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the used by the council such as the Fund Account(s), the Net Assets Statement(s)] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the [fund/funds] during the year ended 31 March 2023 and of the amount and disposition at that date of [its/their] assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Accounts Commission on [insert date

of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27 [I am/We are] independent of the [fund/funds] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the [fund/funds]. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [fund's/funds'] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the [fund's/funds'] current or future financial sustainability. However, [I/we] report on the [fund's/funds'] arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

[I/We] report in [my/our] Annual Audit Report the most significant assessed risks of material misstatement that [I/we] identified and [my/our] judgements thereon.

Responsibilities of the [insert job title of proper officer] and [council/name of committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the [insert job title of proper officer] is responsible for assessing the [fund/fund's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the [fund's/funds'] operations.

The [council/name of committee] is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether

due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using [my/our] understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the [fund/funds];
- inquiring of the [insert job title of proper officer] [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the [fund/funds];
- inquiring of the [insert job title of proper officer] [add any other officer] concerning the [fund's/funds'] policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [fund's/funds'] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Reporting on other requirements

Other information

The [insert job title of proper officer] is responsible for the other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and [my/our] auditor's report thereon.

[My/our] responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Management Commentary, Annual Governance Statement and Governance Compliance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary, Annual Governance Statement and Governance Compliance Statement

In [my/our] opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016): and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to [my/our] responsibilities for the annual report, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in [my/our] Annual Audit Report.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),
[Full postal address],
[Full date]

Appendix 5A Registered section 106 charities (accrued accounts)

Model independent auditor's report

Independent auditor's report to the trustees of [insert name of charity/collective name of connected charities] and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

[[I/We] certify that [I/we] have audited the financial statements in the statement of accounts of [insert name of charity/collective name of connected charities] for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the [specify precisely the titles of the financial statements used by the council for the charity such as the Statement of Financial Activities, the Balance Sheet] and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the [charity/charities] as at 31 March 2023 and of [its/their] incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I am/We are] independent of the [charity/charities] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial

statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [charity's/charities'] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

[As explained more fully in the Statement of Responsibilities – delete if no such statement included], the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the [charity's/charities'] ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the [charity's/charities'] operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using [my/our] understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the [charity/charities];

- inquiring of the Trustees [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the [charity/charities];
- inquiring of the Trustees [add any other officer] concerning the [charity's/charities'] policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [charity's/charities'] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Reporting on other requirements

Other information

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

[My/our] responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In [my/our] opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which [I am/we are] required to report by exception

[I am/We are] required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in [my/our] opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),
 [Full postal address],
 [Full date]

[Insert name of appointment lead (Audit Scotland) or firm] is eligible to act as an auditor in terms of [insert either section 1212 of the Companies Act 2006 (for applicable firms)/Part VII of the Local Government (Scotland) Act 1973 (for Audit Scotland staff and firms where auditor is not eligible under the Companies Act)]

Appendix 5B Registered section 106 charities (receipt and payments accounts)

Model independent auditor's report

Independent auditor's report to the trustees of [insert name of charity/collective name of connected charities] and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

[[I/We] certify that [I/we] have audited the financial statements in the statement of accounts of [insert name of charity/collective name of connected charities] for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the [specify precisely the titles of the financial statements used by the council for the charity such as the Statement of Receipts and Payments, the Statement of Balances] and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis

In [my/our] opinion the accompanying financial statements:

- properly present the receipts and payments of the [charity/charities] for the year ended 31 March 2023 and [its/their] statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I am/We are] independent of the [charity/charities] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in

accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Responsibilities of the trustees for the financial statements

[As explained more fully in the Statement of Responsibilities – delete if no such statement included], the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using [my/our] understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, Charities and Trustee Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the [charity/charities];
- inquiring of the Trustees [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the [charity/charities];
- inquiring of the Trustees [add any other officer] concerning the [charity's/charities'] policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [charity's/charities'] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Reporting on other requirements

Other information

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

[My/our] responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In [my/our] opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charity Accounts (Scotland) Regulations 2006.

Matters on which [I am/we are] required to report by exception

[I am/We are] required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in [my/our] opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),
[Full postal address],
[Full date]

[Insert name of appointment lead (Audit Scotland) or firm] is eligible to act as an auditor in terms of [insert either section 1212 of the Companies Act 2006 (for applicable firms)/Part VII of the Local Government (Scotland) Act 1973 (for Audit Scotland staff and firms where auditor is not eligible under the Companies Act)]

Appendix 6 Qualified opinions and conclusions and other amendments

1. Opinion on financial statements – material misstatement

Qualified opinion on financial statements

[No change to first paragraph.]

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements:

- *[No change to three bullets].*

Basis for qualified opinion

[Add a new paragraph describing the matter resulting in the qualified opinion. This should include:

- *quantification of the financial effects of the misstatement (or a statement that quantification is impracticable)*
- *where the matter relates to narrative disclosures, an explanation of how the notes are misstated*
- *where the matter relates to non-disclosure of required information, the nature of the omitted information and (unless impracticable) the omitted disclosures.]*

[No change in existing paragraph until last sentence as follows]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

2. Opinion on financial statements – limitation of audit scope

Qualified opinion on financial statements

[No change to first paragraph.]

In [my/our] opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements:

- *[No change to three bullets].*

Basis for qualified opinion

[Add a new paragraph describing the reasons for the inability to obtain sufficient appropriate audit evidence]

[No change in existing paragraph until last sentence as follows]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

3. Period of appointment

[No change to start of paragraph]. [I was/We were] appointed by the Accounts Commission on [insert date of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be [insert total number] years. [No change to remainder of paragraph].

4. Remuneration Report

Qualified opinion on matter prescribed by the Accounts Commission on the audited parts of the Remuneration Report

[I/We] have audited the parts of the Remuneration Report described as audited. In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph on the Remuneration Report paragraph, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Basis for qualified opinion on the Remuneration Report

[Provide a concise description of the matter giving rise to the qualified opinion]

5. Other information

5A

Other information

[No change in first sentence]. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report and other reports included in the annual accounts other than the financial statements and [my/our] auditor's report thereon.

5B

Other information

[No change in first paragraph]

[No change in the second paragraph until the last sentence which is replaced as follows]. [~~I/We have nothing to report in this regard.~~ [Provide a description of the material misstatement in other information].

[No change in third paragraph]

Qualified opinions on matter prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion on the Management Commentary (and/or Annual Governance Statement) paragraph based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Basis for qualified opinion on the Management Commentary [and/or Annual Governance Statement]

[Provide a concise description of the matter giving rise to the qualified opinion]

6. Matter reported by exception

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have ~~nothing~~ nothing the following to report in respect of these matters.

[Provide a concise description of the matter being reported]. [I/We] have nothing to report in respect of the other matters.

6. Emphasis of Matter paragraph

Emphasis of matter: [provide a specific heading]

[I/We] draw attention to [provide a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the financial statements]. [My/Our] opinion is not modified in respect of this matter.

Note: the above wording is focussed on a council for simplicity, but the amendments apply equally to other local government bodies and charities.

Appendix 7 Auditor action checklist

	Yes/No/N/A	Initials/date	W/P ref
1 Have you used the correct model IAR that applies to the audited body?			
2 Have you followed the standard wording in the relevant model IAR other than where tailoring is required to reflect local circumstances, e.g.: <ul style="list-style-type: none"> named the body consistently with what it calls itself? used the singular person for Audit Scotland staff, plural for firms)? added the job title of the Section 95 proper officer? considered whether any other tailoring to the standard wording is appropriate and consulted with Professional Support? 			
3 Have you ensured that the IAR has been signed: <ul style="list-style-type: none"> by the appointment lead? on the authorised for issue date (or as close as possible thereafter)? 'for and on behalf of the firm' (firms only)? Does the IAR state the correct postal address?			
4 Have you satisfied yourself that the IAR is appropriately positioned within the annual accounts?			

	Yes/No/N/A	Initials/date	W/P ref
5			
Have you:			
encouraged the body to use the titles of the financial statements specified by proper accounting practices?			
<ul style="list-style-type: none"> • listed the financial statements using the precise titles used by the body? 			
6			
Have you:			
<ul style="list-style-type: none"> • consulted with Professional Support on any proposed modifications to the audit opinion on the financial statements? • made the modifications set out in the application guidance? 			
7			
Have you in the basis for opinion paragraph:			
<ul style="list-style-type: none"> • inserted the date of your appointment letter? • reported any non-audit services not disclosed elsewhere? 			
8			
Where considering whether there may be a matter to report on using the going concern basis of accounting, have you consulted with Professional Support?			
9			
Where considering whether tailoring is required to the standard wording for the explanation of extent that the audit is capable of detecting irregularities, have you consulted with Professional Support?			
10			
Have you:			
<ul style="list-style-type: none"> • encouraged the body to use the title Remuneration Report? • used the precise title of the report used by the body? 			

	Yes/No/N/A	Initials/date	W/P ref
11			
Have you:			
<ul style="list-style-type: none"> evaluated whether the body has correctly and clearly identified the parts of the Remuneration Report that are audited? requested that the body makes any rectifications that are identified? where necessary, identified in the IAR the parts of the Remuneration Report that are audited? 			
12			
Have you:			
<ul style="list-style-type: none"> consulted with Professional Support on a proposed qualified opinion on the audited parts of the Remuneration Report? made the modifications set out in the application guidance? 			
13			
Have you:			
<ul style="list-style-type: none"> encouraged the body to use the titles of the reports specified by regulations for the other information? used the precise titles of the reports comprising other information used by the body? encouraged the body to locate any voluntary information within the specified structure? 			
14			
Have you:			
<ul style="list-style-type: none"> consulted with Professional Support on any proposed reporting of material misstatements in other information? made the modifications set out in the application guidance? 			
15			
Have you:			
<ul style="list-style-type: none"> consulted with Professional Support on a proposed qualified opinion on the Management Commentary or Annual Governance Statement/Governance Compliance Statement (or Trustees' Annual Report)? made the modifications set out in the application guidance? 			

	Yes/No/N/A	Initials/date	W/P ref
<p>16 Have you evaluated and concluded on whether:</p> <ul style="list-style-type: none"> the body has kept adequate accounting records throughout the year? the financial statements and the audited parts of the Remuneration Report are in agreement with the accounting records? 			
<p>17 Have you evaluated and concluded on whether you have received all the information and explanations required for the audit?</p>			
<p>18 Have you:</p> <ul style="list-style-type: none"> consulted with Professional Support on any proposed modifications to conclusions on a matter reported by exception with Professional Support made the modifications set out in the application guidance? 			
<p>19 Have you:</p> <ul style="list-style-type: none"> considered whether it is necessary to draw attention to certain matters under ISA (UK) 706 consulted with Professional Support on any such matters made the additions set out in the application guidance? 			

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Technical Guidance Note 2023/4(LG)

2022/23 Independent Auditor's Report for Local Government Bodies

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